



JOHN NAIMO
ACTING AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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October 14, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo 
Acting Auditor-Controller

SUBJECT: **CALIFORNIA STATE UNIVERSITY LONG BEACH RESEARCH
FOUNDATION – A DEPARTMENT OF PUBLIC HEALTH DIVISION OF
HIV AND STD PROGRAMS PROVIDER – CONTRACT COMPLIANCE
REVIEW**

We completed a contract compliance review of California State University Long Beach Research Foundation (LBRF or Agency), which included a sample of transactions from Contract Years (CY) 2011 and 2012. The Department of Public Health Division of HIV and STD Programs (DHSP) contracts with LBRF to provide services such as HIV and STD counseling and testing.

The purpose of our review was to determine whether LBRF provided the services outlined in their County contract and appropriately spent DHSP Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contract and other applicable guidelines.

At the time of our review, DHSP had one contract with LBRF, and paid LBRF approximately \$406,000 on a cost-reimbursement and pay-for-performance basis during CYs 2011 and 2012. LBRF provides services to clients residing in the Second and Fourth Supervisorial Districts.

Results of Review

LBRF deposited DHSP cash receipts timely, and appropriately maintained personnel files for staff performing services under their contract. In addition, the Agency prepared

their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately. However, the Agency did not always comply with County contract requirements. Specifically, LBRF:

- Charged DHSP \$3,641 in their CY 2012 Cost Report for expenditures that were not supported by their financial records.

LBRF's attached response indicates that they will repay DHSP the \$3,641 in questioned costs, and ensure that costs are properly recorded.

- Charged DHSP for payroll and employee benefit costs that were not supported by an employee's timecard, which resulted in \$1,703 in questioned costs.

LBRF's response indicates that they agree with our finding, and will repay DHSP the \$1,703 in questioned costs.

- Did not reconcile their bank accounts timely.

LBRF's response indicates that they agree with our finding, and their bank accounts are now being reconciled timely.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LBRF and DHSP. LBRF's attached response indicates they agree with our findings and recommendations.

We thank Agency management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:ku

Attachments

- c: William T Fujioka, Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
Dr. Jane Close Conoley, Chair, LBRF
Mary Stephens, Chief Executive Officer, LBRF
Public Information Office
Audit Committee

**CALIFORNIA STATE UNIVERSITY LONG BEACH RESEARCH FOUNDATION
DIVISION OF HIV AND STD PROGRAMS
CONTRACT COMPLIANCE REVIEW
CONTRACT YEARS 2011 AND 2012**

CASH/REVENUE

Objective

Determine whether California State University Long Beach Research Foundation (LBRF or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were prepared and approved by Agency management timely.

Verification

We interviewed LBRF management, and reviewed their financial records and June 2012 bank reconciliations for three bank accounts.

Results

LBRF properly recorded revenue in their financial records and deposited Department of Public Health Division of HIV and STD Programs (DHSP) cash receipts timely. However, the Agency did not reconcile their bank accounts timely. As of May 2013, the most recent completed bank reconciliations were from June 2012.

Recommendation

1. California State University Long Beach Research Foundation management ensure that bank reconciliations are completed timely.

EXPENDITURES/COST ALLOCATION PLAN

Objective

Determine whether LBRF'S Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to DHSP were allowable, properly documented, and accurately billed.

Verification

We reviewed the Agency's Plan and their financial records for 13 non-payroll expenditures, totaling \$40,257, that the Agency charged to DHSP from September 2011 to December 2012. We also interviewed Agency personnel.

Results

LBRF prepared their Plan in compliance with their County contract and their expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether LBRF appropriately charged payroll costs to DHSP and maintained personnel files as required.

Verification

We compared the payroll costs for four employees, totaling \$7,068 for December 2012, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

LBRF maintained personnel files as required. However, LBRF charged DHSP \$1,202 in payroll expenditures and \$501 in employee benefits that were not supported by an employee's timecard.

Recommendations

California State University Long Beach Research Foundation management:

2. Repay the Division of HIV and STD Programs \$1,703 or provide documentation to support the expenditures.
3. Maintain adequate documentation to support expenditures.

COST REPORTS**Objective**

Determine whether LBRF's Contract Years (CY) 2011 and 2012 Cost Reports reconciled to their financial records.

Verification

We compared the Agency's CYs 2011 and 2012 Cost Reports to their financial records.

Results

LBRF's CY 2012 Cost Report did not reconcile to their financial records. Specifically, the Agency's financial records did not support \$3,641 for expenditures that were included in their CY 2012 Cost Report.

Recommendations

California State University Long Beach Research Foundation management:

- 4. Repay the Division of HIV and STD Programs \$3,641 or provide documentation to support the expenditures.**
- 5. Ensure that Cost Reports reconcile to their financial records.**



September 17, 2014

Mr John Naimo
Acting Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple, Room 525
Los Angeles, CA 90012

RE: California State University Long Beach Research Foundation
Management Responses
County of Los Angeles Contract Compliance Review,
Contract years 2011 and 2012 – DHSP (PH 000828)

Dear Mr Naimo:

This is in response to the draft audit report provided to us on September 2, 2014 from your office. We will repeat the finding and follow with our response.

- 1) "LBRF charged DHSP \$3,641 in their CY 2012 Cost Reports for expenditures that were not supported by their financial records."

Management agrees that financial records were not updated to agree to Cost Reports submitted and intends to reimburse the County of Los Angeles for these charges. We are scrubbing our current invoices to assure that the allocable costs are recorded in the GL and that source documents are properly coded.

- 2) "LBRF charged DHSP for payroll and employee benefit costs that were not supported by an employee's timecard, which resulted in \$1,703 in questioned costs."

Management agrees that a payroll coding error occurred in this instance and intends to reimburse the County of Los Angeles for these charges. As stated above, we are scrubbing our current invoices to assure that the allocable costs are recorded in the GL and that the source documents are properly coded.

- 3) "LBRF did not reconcile their bank accounts timely."

Management agrees that bank accounts were not reconciled timely during the audit period due to the complications and extra workload required by the transition to a new accounting system and chart of accounts. Bank accounts are now being reconciled on a timely basis.

If you have any questions or if we can provide you any information, you may direct your inquiries to me at (562) 985-7619 or Sandra.shereman@csulb.edu.

Sincerely,

A handwritten signature in blue ink, appearing to read 'SAS', with a long horizontal flourish extending to the right.

Sandra A Shereman
Sr Director, Sponsored Programs

C: Maureen O'Brien, Controller
Simon Kim, AVP, Research and Sponsored Programs